

MICHIGAN AERONAUTICS COMMISSION

Minutes of Meeting

Lansing, Michigan

January 30, 2008

Pursuant to Section 31 of Act 327 of the Public Acts of 1945, the Commissioners of the Michigan Aeronautics Commission (MAC), created by said act, met in the Michigan Aeronautics Auditorium on Wednesday, January 30, 2008, commencing at the hour of approximately 10:00 a.m.

Members Present

Joyce Woods, Chair

Sidney Adams, Jr., Vice Chair

Terry Everman, Commissioner

Kirk Steudle, Commissioner - MDOT

Dennis Fedewa, Designee – MDNR

Richard Elliott, Designee – DMVA

Rob Abent, Commission Director

Staff

Barbara Burris, Executive Division

Rick Hammond, Airports Division

Pauline Misjak, Aviation Services

David Baker, Airports Division

Gerry Edwards, Aviation Services

Mark Noel, Airports Division

Absent

James Collins, Commissioner

J. William Prochazka, Commissioner

Daniel Atkinson, Designee - MSP

Also Present

Leon Hank, Designee - MDOT

Pat Isom, House Counsel

Bill Blake, AOPA

Jim Koslosky, Gerald R. Ford International

Jon Bayless, Abrams Municipal

A list of all others present is attached to the official minutes.

I. OPENING REMARKS

The January 30, 2008 Aeronautics Commission meeting was called to order by Chair Joyce Woods at 10:07 a.m. She welcomed the small group assembled.

For the record, the Chair noted the absences of Commissioners Prochazka, Collins and Atkinson, due to travel and weather-related concerns.

Declaring a quorum present, she proceeded to the first item on the agenda: Presentations. She called on Director Abent to introduce the first speaker.

II. PRESENTATIONS

MAC Director Rob Abent communicated that Director Steudle would be providing information relevant to the future of transportation.

A. Transportation Funding Task Force

With the aid of PowerPoint, MDOT Director Kirk Steudle briefed the Commission on issues facing transportation. His report is paraphrased as follows:

The most important event occurring in Michigan with respect to transportation is the creation of a Transportation Funding Task Force. Public Act 221 of 2007, signed in December, creates a task force to “review the adequacy of surface transportation and aeronautics service provision and finance in Michigan.” It applies to roads, aviation, transit, and railroads as well. The law requires that it be supported by MDOT staff. MDOT will appoint a small team to work with the task force in completing their work.

The task force will be established by February 1st. It will consist of nine members, eight of which must represent the economic sectors of manufacturing, labor, commerce, transportation, agriculture, public transit, tourism, and aviation. The last member, a citizen at large, could be appointed from any number of areas. Two designees will be appointed by leaders in the Senate (one minority, one majority) and two will be appointed by from the minority and majority in the House. The law specifically states that the task force may not include employees of MDOT, a county, county road commission, a village, city or township, due to the distribution of funding to these agencies.

The law creates a larger Citizens’ Advisory Committee, which will consist of 19 interested participants. Eighteen organizations will be represented (slide demonstrating various organizations). One member of the general public will sit on this committee, as well.

Each of these agencies will submit three names to the Governor's Office to be selected from. Once nominated by the Governor, members of the citizens' advisory committee must be approved by a bipartisan panel of the Senate.

The duties of the Task Force will be to: 1) review strategies for maximizing return on transportation investment; and 2), evaluate potential alternative strategies to replace or supplement the state motor fuel taxes, existing and alternative user fees, nonuser revenues to support economic activity and personal mobility in Michigan.

The bill, sponsored by Sen. Gilbert, was envisioned to be a long-term strategy, extending beyond the next 10 years, to allow examination of what we need to do five to ten years from now and how to change the mix in how we collect revenue for all modes of transportation. The bill was modified to include the current structure, as well, taking into account current funding streams, allowing for recommendations to change or enhance those.

The primary focus of the task force will be to: 1) examine alternatives to the fuel tax (analyze feasibility; suggest or recommend alternative user fees or nonuser taxes). As fuel consumption goes down due to more fuel-efficient vehicles, et cetera, revenues for transportation go down as well. The task force will make suggestions and/or recommendations to implement pilot programs to test feasible alternatives to the fuel tax. All of these recommendations must be submitted by October 31 of this year.

The task force will report on a multitude of subject areas. Director Steudle shared a slide listing the various responsibilities of the task force.

The timeframe, he reiterated, is concise. By Friday, February 1, the Governor will name the members of the task force. The task force will need approval from the Senate, and legislative representatives will be named. By March 1, MDOT will make recommendations for a work program to the task force. The task force will publish its preliminary data, findings, and recommendations, as well as its preliminary recommendations on pilot programs by October 31.

Director Steudle reported that a similar study group had been formed in 1999, for purposes of examining roads and road funding and took two years to reach its conclusions. The newly defined task force will have ten months to complete an analysis of all the modes of transportation – a very tall order.

The Director shared two final slides illustrating studies completed by other states. The collection of data on what other states are doing will be invaluable in

developing the Michigan plan. He highlighted Oregon's innovative, recently released Road User Fee Task Force report, which looks at a GPS-mileage based fee. The GPS approach, where collections are made at the pump, would require a significant investment in technology and appears to be impractical from MDOT's standpoint. Pennsylvania, Iowa, Georgia, Minnesota, North Carolina, and Virginia are also working on plans. Director Steudle advised that he would provide updates as new information becomes available throughout the summer and offered to answer any questions.

The Chair opened the floor for questions from the Commissioners. Hearing none, she noted her appreciation for the inclusion of aviation and thanked the Director for his report.

She called on MAC Director Rob Abent to provide a status report on the budget.

The director's report on the FY 08 budget is summarized as follows:

B. State Operating Budget FY 2008

With the aid of PowerPoint, Director Abent reported that revenue estimates for FY 08, all things considered, will be approximately \$7.8 million, with the bulk (approximately \$6.3 million) coming from the aviation fuel tax. This figure is slightly higher than in years past due to an incremental increase in revenues at the end of FY 07. Unless something dramatic happens during the course of the year, revenues are forecast to remain at \$7.8 million.

He indicated that specific recommendations regarding statutory changes to the Aeronautics Code have been worked up and will be presented for the Commissioners' consideration at a future date.

On the expenditure side, exclusive of the Airport Improvement Program, expenditures are anticipated to be approximately \$7 million, which is consistent with the past two years. He observed that several years ago, when it became obvious that a serious revenue problem was unfolding, the bureau implemented a series of cost saving measures to ensure fund balance for the future and sustain the primary mission of putting capital infrastructure on the ground. Barring any unforeseen circumstances, estimated expenditures for FY 08 are expected to be at approximately \$5.7 million. This figure does not include any additions for staffing or program components.

Over the first two months of the fiscal year there has been a slight decrease in revenue, owing primarily to the collection process. However, should a substantial increase in revenues occur over the course of the year, the Commission will be

asked to approve the reinstatement of programs such as the Air Service Program and AWOS installation, both of which have been temporarily suspended.

Director Abent shared a slide depicting the State Aeronautics Fund balance for the past 10 years. Since 1997, revenues have declined significantly. In 2002, the bureau instituted cost savings measures to build fund balance. Mr. Abent praised the staff of the department for efforts to continue operating a substantial program while maintaining fund balance. He highlighted the significant increase in fund balance for 2006 and 2007, which he attributed to a number of factors: the shifting of debt service inappropriately assigned to Aeronautics (nearly \$1 million) back to its appropriate funding source and the purging of old accounts going back to 2000, collecting surpluses and combining these funds. As a result, the fund balance is expected to reach nearly \$7 million. He noted that these funds represent less than a year's operating revenue but offer some safeguards against future downturns and allow the bureau to continue to function as usual. In FY 08, \$1 million will be transferred to Capital Outlay appropriations. This will enable the bureau to continue to fund state match and perhaps a small state/local program. The same is anticipated for FY 09.

He observed that, financially, we are not completely well, but we are not on life support either; that the outlook for the future is guardedly optimistic.

At this juncture, the director recognized the attendance of Bill Blake, AOPA Regional Representative, and Jim Koslosky, President of the Michigan Association of Airport Executives, both strong advocates for aviation.

With the consent of the Chair, Mr. Abent entertained questions from those attending.

Mr. Blake inquired as to the amount the director would consider an adequate fund balance. Director Abent responded that depending on the circumstances, \$7 million would be considered adequate, roughly a year's operating expenses. He stressed that a change in the revenue stream could impact the department's ability to operate and put federal/state/local money on the ground. He commended staff of the department and the Office of the State Budget for assisting in the capture of additional funds.

Discussion ensued on estimates needed to maintain fiscal stability.

Dave Baker, Funding Manager, clarified that additional funds were captured by going back and reviewing old accounts for funds that had not been spent for one reason or another. The \$7 million capital funds can only be spent on capital projects.

Director Abent added that all accounts, going back to 2000, have been “scrubbed,” and it appears all available funds have been captured from surpluses or cancelled projects; the bulk of this \$7 million represents a one-time increase to the fund balance. The funds will be spent wisely.

There being no further discussion, the Chair proceeded to the first item of business and entertained a motion to approve the minutes of the last meeting.

III. COMMISSION BUSINESS

A. Minutes of January 30, 2008

It was moved by Commissioner Adams, with support from Commissioner Everman, to approve the minutes of January 30, 2008, as recorded. The MOTION CARRIED.

The Chairman called on Airports Funding Manager Dave Baker to present the 14 airport improvement projects pending Commission approval.

Preliminary to his presentation, Mr. Baker advised that funding for projects listed is considered “old money,” as it derives from 2007 or previous appropriations; no 2008 appropriations are available due to a delay in funding legislation.

Federal/State/Local Projects

Airport Name & Associated City/County	Project Description	Federal \$	State \$	Local \$	Total \$
Wexford County Cadillac	Rehabilitation of runway 7/25	1,360,000	297,500	42,500	1,700,000
Clare Municipal Clare	Terminal fencing	15,200	3,325	475	19,000
Coleman Young Municipal Detroit	ALP update; design & construction engineering for reconfiguration of taxiway @ runway 25 end	92,000	20,125	2,875	115,000
Dowagiac Municipal Dowagiac	Design of SRE building	26,400	5,775	825	33,000
Fremont Municipal Fremont	Construct parallel taxiway to runway 18/36 & assoc. lighting	1,456,000	318,500	45,500	1,820,000

Airport Name & Associated City/County	Project Description	Federal \$	State \$	Local \$	Total \$
Hastings City/Barry County Hastings	Runway 12/30 rehabilitation and lighting	960,000	210,000	30,000	1,200,000
Ionia County Ionia	Design & construction of a 10-unit T-hangar; AWOS	407,768	89,199	12,743	509,710
Jerry Tyler Memorial Niles	Land acquisition for runway 14 approach	22,400	4,900	700	28,000
Whitefish Township Paradise	Environmental Assessment	0	72,000	8,000	80,000

Chairperson Woods recapped the discussions held at the November meeting with regard to the Paradise project, whereby action on the transfer of funds was deferred until the January meeting to allow the Department of Natural Resources and Commissioner Fedewa to present the DNR's position. She called on Commissioner Fedewa.

Commissioner Fedewa reported that the Department of Natural Resources has serious concerns and objections to the proposed site of an airport in Whitefish Township for the reasons cited in the minutes of November 2007. Since November, meetings have been held with the Hon. Jason Allen, sponsor of a bill to transfer this DNR property for airport purposes. Rep. Allen has been apprized of the DNR's concerns. An additional meeting is scheduled for November 30 with township officials to discuss the viability of alternate sites. He reiterated the DNR's grave concerns regarding the site location and asked for the Commission's indulgence while the DNR engages in the necessary efforts to reach a conclusion regarding this property. Commissioner Fedewa will report back to the Commission on this matter at the next meeting.

With consideration to remarks by Commissioner Fedewa, Director Abent respectfully requested that the Whitefish Township project be withdrawn from consideration to allow the DNR time to conclude, through negotiations, whether there is an appropriate site for an airport in Whitefish Township.

Whereupon it was moved by Commissioner Everman to delay any further action on the project until a determination has been reached between the township and the DNR. The motion, seconded by Commissioner Adams, was APPROVED by unanimous voice vote. Action concerning the Paradise project will be deferred to a future date.

Canton-Plymouth-Mettetal Plymouth	Design of Apron & Taxiway Rehabilitation	32,000	7,000	1,000	40,000
Saginaw Co. HW Browne Saginaw	Design of beacon and windcone	18,000	3,937	563	22,500
Kirsch Municipal Sturgis	Construct taxiway to runway 18; crack sealing	665,000	17,500	17,500	700,000

Thompsonville Thompsonville	Terminal building improvements	0	5,400	600	6,000
Totals		8,220,205	1,684,502	673,103	10,681,054

The Chair opened the floor for questions on all other projects. Hearing none, she entertained a motion to approve the 13 projects presented, excluding Paradise.

Whereupon it was moved by Commissioner Everman, with support from Commissioner Adams, to approve the transfer of funds for the 13 projects described by Mr. Baker. MOTION CARRIED.

For the record, the Chair noted there were no supplemental transfers. She called on Mr. Linn Smith, Airports Division, to present the next item for consideration.

C. Airport Approach Plan, Escanaba Airport

The Michigan Aeronautics Code provides that the Michigan Aeronautics Commission adopt an airport approach plan for each licensed airport that includes height, zoning, and land-use zoning regulations. The Commission has adopted airport approach plans for the majority of Michigan's licensed airports. The Delta County Airport did not request an airport approach plan back when the majority of plans were approved by the Commission as it was in the process of developing an airport zoning plan under the Airport Zoning Act. Mr. Smith referred the Commissioners to the technical data included as reference in their notebooks. He asked for Commission approval for the approach plan for the Delta County Airport.

The Chair opened the floor for questions from the Commission. None were forthcoming.

Director Abent advised of internal discussions concerning wind turbines. He asked Mr. Smith to provide an update on this phenomenon at the meeting scheduled for March 27. Mr. Smith advised that wind energy is an ever-increasing concern for the department. He advised that the Tall Structures Act, Airport Zoning Act, and airport protection plans would affect plans for wind turbine farms throughout the state. Bureau staff will be attending a symposium on this subject, hosted by MSU and the DNR, and will report back at the March 2008 meeting.

The Chair entertained a motion to approve the approach protection plan for the Delta County Airport.

Whereupon it was moved by Commissioner Adams, with support from Commissioner Everman, to approve the approach protection plan for the Delta County Airport. By unanimous voice vote, the MOTION CARRIED.

The Chair opened the floor for public comment. She called on Jim Koslosky, Director of

Aeronautics, Gerald R. Ford International Airport.

IV. PUBLIC COMMENT

Mr. Koslosky, appearing on behalf of the Michigan Association of Airport Executives, addressed the Commission regarding two subjects: 1) the Capital Outlay Bill; and 2) commercial air service.

With regard to the Capital Outlay Bill, Mr. Koslosky indicated that the MAAE remains concerned that a bill has not moved forward that includes funding for all aeronautics capital improvement projects this year, which could result in a substantial delay in the bidding of projects and getting them constructed. The MAAE has issued a legislative alert to all its members asking that they write their legislators and urge quick passage of the aeronautics portion of the Capital Outlay Bill. He asked that the Commission, to the extent possible, urge the Governor to likewise move the bill along. He noted also that the MAAE is proceeding with efforts to legislatively strip aeronautics from the Capital Outlay Bill and place it under Transportation. He asked for the Commission's support on this effort.

Queried by Mr. Koslosky as to the status of the Capital Outlay Bill, Director Abent advised that the Governor has issued a formal recommendation, which is currently under deliberation.

With respect to commercial air service, Mr. Koslosky advised that a number of things are occurring in the airline industry, i.e., consolidations and mergers, which could significantly impact air service nationwide and result in reduced service in Michigan. He reported that seats will decline until the individual markets are able to prove their sustainability, and this could have a dramatic impact on small communities. One in particular he advised watching is Midwest Airlines, which has been shutting down its feeder operations. Skyways Airlines is furloughing pilots, flight crews and maintenance personnel and turning those operations over to Sky West Airlines. He noted that this too could have an impact on Michigan, as Sky West flies only regional jets. He urged the Commission to monitor the situation.

The Chair entertained questions and/or comment on the topics covered by Mr. Koslosky.

There being no questions or comments, she thanked Mr. Koslosky and proceeded to the next item. She recalled MAC Director Rob Abent.

V. REPORTS

MAC Director's Report

Director Abent continued with a tradition he started to recognize staff of the department for their personal milestones and achievements. He recognized Mark Noel, Engineer, Airports Division, for his 30 years of service to the Department of Transportation (photo displayed/applause). Mr.

Noel, he stated, is a very dedicated and enthusiastic employee.

Additionally, he recognized Betsy Steudle, in absentia. Ms. Steudle, whom he deemed equally enthusiastic and dedicated, has been promoted to supervisor of the Programming Unit of the Airports Division.

The director announced upcoming events: The Great Lakes International Aviation Conference, scheduled for February 1 and 2, in Novi; the Michigan Airports Conference, on February 20 and 21st at the Kellogg Center in East Lansing; and the NASAO Legislative Conference in Washington, D.C. in March.

Director Abent reported that the President had signed an omnibus transportation budget bill, which includes funding for aviation; however, the reauthorization for aviation or an extension is yet to be approved. As it stands, the FAA has no authority to release funds, and the same applies to the bureau. The FAA has informed the bureau that it should be prepared with hard numbers on May 1. The bureau will continue its efforts to assist Congress in resolving their differences. The State Budget Office has been advised that without proper federal and state authorization there is a risk that projects will be lost, which would be detrimental to the aviation community.

The Chair expressed hope that these issues will be concluded at both the state and federal level in the very near future.

She announced that the upcoming meeting, scheduled for March 27, a Thursday, would be a joint meeting with the State Transportation Commission, beginning at 9:00 a.m. With that, she entertained a motion to adjourn.

It was moved by Commissioner Adams, with support from Commissioner Everman, to adjourn the meeting at 10:55 a.m. The Chair declared the meeting adjourned.

Director

Chairman

Dated: _____